

12/1/97

~~EXHIBIT~~ ~~TABLE~~
Average Premium Calculation

Average Premium per Child - \$6 per child per month

The Governor's Press package included an estimated premium contribution of \$8 per child per month.

The final legislation made three changes to the Governor's original proposal:

- 1) Premiums are a flat amount of \$7 per child (\$14 cap) for families between 100 - 150% FPL, and \$9 per child (\$27 cap) for families between 150 - 200% FPL.
- 2) Families selecting the Community Provider Plan (defined as having the most traditional and safety net providers in an area) receive a \$3 discount per child.
- 3) Families can save one month premium if they pay three months premium in advance. (This is a 25% discount - 3 payments for 4 months).

Based on these final changes the estimated average premium per child is \$6 per child per month.

ASSUMPTIONS:

- 1) 40% of families enrolled will be between 100 - 150% FPL, 60% of families enrolled will be between 150 - 200% FPL. (Assumes 40% pay \$7 and 60% pay \$9 per child. This equals an average premium of \$8.20 per child per month. This is the starting point for the calculation.)
- 2) Average premium per child per month is reduced by 10% due to families with 3 or more children who are capped at payments for 2 children (100-150% FPL) and with 4 or more children who are capped at payments for 3 children (150-200% FPL).
- 3) Average premium per child per month is reduced by 9% due to families selecting the Community Provider Plan. (Assumes 25% of families selecting CPP at 37% savings - 42.8% savings for 100-150% and 33% savings for 150-200%)
- 4) Average premium per child per month will be reduced by 6% for families paying in advance to save one months premium. (Assumes 25% of families paying in advance for 25% discount.)
- 5) There will be no reduction in per child per month costs due to nonpayment since those nonpayers will be disenrolled retroactively to last paid date and capitation payments made to health plans will be deducted from future payments.
- 6) Reduce the \$8.20 starting point by 25% which comes to \$6.15 per child per month. Due to the use of so many assumptions the .15 is also reduced to bring the amount to \$6. This additional reduction is worth 1.8%.